

RATCHTHANI LEASING PLC

No. 37/2018

28 May 2018

FINANCIAL INSTITUTIONS

Company Rating:	A-
Issue Ratings:	
Senior unsecured	A-
Outlook:	Stable

Company Rating History:

Date	Rating	Outlook/Alert
19/10/16	A-	Stable
25/01/12	BBB+	Stable

Contacts:

Saowanit Woradit

saowanit@trisrating.com

Annop Supachayanont

annop@trisrating.com

Taweechok Jiamsakunthum

taweechok@trisrating.com

Raithiwa Naruemol

raithiwa@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating of Ratchthani Leasing PLC (THANI) and the ratings of THANI's outstanding senior unsecured debentures at "A-". At the same time, TRIS Rating assigns a "A-" rating to THANI's proposed issue of up to Bt4,000 million in senior unsecured debentures.

The ratings reflect THANI's business profile, underpinned by sustained improvements in market position and financial performance. The ratings also reflect the extensive experience THANI's management team has in financing used cars and commercial trucks, plus the continuous improvements THANI has made in its operating processes and risk management systems. The ratings have taken into consideration the business and financial supports THANI receives from its major shareholder, Thanachart Bank PLC (TBANK). The ratings of THANI are enhanced from its stand-alone rating because TRIS Rating holds the view that the company is a strategically important subsidiary of TBANK. However, the strengths are weighted down by concerns over intense competition and a heavy reliance on the income from loans for commercial trucks.

THANI has been focusing its efforts on the commercial truck segment since 2006. Loans made to this segment constituted almost 70% of the company's entire hire-purchase loan portfolio. THANI is one of market leaders in this segment. However, the heavy emphasis on commercial truck loans increases business concentration risk. In 2017, THANI's outstanding loans grew by 18% to Bt40,441 million and rose 6.3% to Bt43,007 million at the end of March 2018.

The company's financial results improved steadily. In 2017, net profit was Bt1,126 million, up 28% from 2016. The return on average assets (ROAA) improved continuously from 2.8% in 2016 to 3.1% in 2017. ROAA improved to 3.5% (annualized) for the first quarter of 2018. The improvement was partly due to a wider interest spread, resulting from a drop in funding costs, including the controllable of credit cost and operating expenses.

THANI's asset quality is still under control. The ratio of non-performing loans (loans overdue more than three months) to total loans was 4.0% at the end of March 2018, down from 4.1% in 2017 and 4.4% in 2016. As a strategic subsidiary of TBANK, TRIS Rating has less concern over the company's liquidity and financial flexibility.

RATING OUTLOOK

The "stable" outlook reflects the expectation that THANI will maintain its market position in the target market segments. The experienced management team, improving operating efficiency, and the support received from its parent bank will help it achieve these goals. Loan quality is expected to be controlled and maintained at an acceptable level. In addition, profitability is expected to hold steady. The support THANI receives from its parent bank, such as the provision of credit facilities, is expected to continue.

RATING SENSITIVITIES

The possible credit upside case is contingent on significant improvements in

THANI's business and financial profiles. In contrast, THANI's ratings or outlook could be revised downward if the market position or loan quality weakens steadily or if the risk position and the level of capitalization deteriorate substantially. Any change in the degree of support TBANK provides to THANI or any change in the degree of strategic importance of THANI to TBANK would also affect the company's future ratings and/or outlook.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Bt million

	Jan-Mar 2018	Year Ended 31 December			
		2017	2016	2015	2014
Total assets	41,918	39,492	33,365	29,505	27,864
Total loans	43,007	40,441	34,169	29,921	28,224
Allowance for doubtful accounts	1,951	1,843	1,421	1,000	920
Short-term borrowings	18,273	17,205	19,962	12,907	8,560
Long-term borrowings	16,499	15,896	7,722	11,393	14,814
Shareholders' equity	5,991	5,627	5,009	4,564	3,879
Net interest income	544	1,878	1,538	1,345	1,325
Bad debts and doubtful accounts	123	523	496	412	432
Non-interest income	157	547	501	420	357
Operating expenses	125	496	440	408	353
Net income	364	1,126	881	749	704

Unit: %

	Jan-Mar 2018	Year Ended 31 December			
		2017	2016	2015	2014
Profitability					
Net interest income/average assets	1.34 *	5.16	4.89	4.69	4.81
Net-interest income/total income	59.75	56.79	51.50	48.35	48.13
Operating expenses/total income	13.69	14.99	14.73	14.67	12.80
Operating profit/average assets	1.11 *	3.86	3.51	3.30	3.25
Return on average assets	0.89 *	3.09	2.80	2.61	2.55
Return on average equity	6.26 *	21.17	18.41	17.73	19.83
Asset Quality					
Non-performing loans/total loans	3.98	4.10	4.44	4.64	5.24
Bad debts and doubtful accounts/average loans	0.30 *	1.40	1.55	1.42	1.55
Allowance for doubtful accounts/total loans	4.54	4.56	4.16	3.34	3.26
Allowance for doubtful accounts/non-performing loans	113.99	111.15	93.73	72.13	62.20
Capitalization					
Shareholders' equity/total assets	14.29	14.25	15.01	15.47	13.92
Shareholders' equity/total loans	13.93	13.91	14.66	15.25	13.74
Debt to equity (time)	6.00	6.02	5.66	5.46	6.18
Liquidity					
Short-term borrowings/total liabilities	50.86	50.81	70.04	51.75	35.69
Total loans/total assets	102.60	102.40	102.41	101.41	101.29

* Non-annualized

Ratchthani Leasing PLC (THANI)

Company Rating:	A-
Issue Ratings:	
THANI193A: Bt2,000 million senior unsecured debentures due 2019	A-
THANI201A: Bt1,510 million senior unsecured debentures due 2020	A-
THANI203A: Bt1,450 million senior unsecured debentures due 2020	A-
THANI205A: Bt1,000 million senior unsecured debentures due 2020	A-
THANI206A: Bt2,000 million senior unsecured debentures due 2020	A-
THANI208A: Bt1,500 million senior unsecured debentures due 2020	A-
THANI20DA: Bt1,400 million senior unsecured debentures due 2020	A-
THANI20DB: Bt600 million senior unsecured debentures due 2020	A-
THANI212A: Bt1,800 million senior unsecured debentures due 2021	A-
Up to Bt4,000 million senior unsecured debentures due within 3 years	A-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 02-098-3000

© Copyright 2018, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution, or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria